

VZCZCXRO0037
PP RUEHDBU RUEHFL RUEHKW RUEHLA RUEHROV RUEHSR
DE RUEHSL #0420/01 2041519
ZNY CCCCC ZZH
P 231519Z JUL 07
FM AMEMBASSY BRATISLAVA
TO RUEHC/SECSTATE WASHDC PRIORITY 1073
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY
RUEHUP/AMEMBASSY BUDAPEST PRIORITY 0940
RUEHKV/AMEMBASSY KYIV PRIORITY 0022
RUEHMO/AMEMBASSY MOSCOW PRIORITY 0655
RUEHPG/AMEMBASSY PRAGUE PRIORITY 4137
RUEHVB/AMEMBASSY ZAGREB PRIORITY 0205
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 03 BRATISLAVA 000420

SIPDIS

SIPDIS

E.O. 12958: DECL: 07/19/2017
TAGS: [ENRG](#) [ECON](#) [EPET](#) [PREL](#) [PGOV](#) [LO](#) [RU](#)
SUBJECT: YUKOS FINANCE AUCTION SHIFTS DYNAMICS OVER
TRANSPETROL SALE

REF: A. BRATISLAVA 308
[1](#)B. 06 BRATISLAVA 917

Classified By: Ambassador Rodolphe M. Vallee for reasons 1.4 b) and d)

[1](#)1. (C) Summary - Yukos Oil Receiver Eduard Rebgun announced July 13 that Russian-controlled Yukos Finance (YF) will be auctioned off on August 15 in Moscow at a starting price of approximately USD 300 Million. The announcement followed one day after a Dutch court overturned an appeal by Rebgun that would have required Yukos International (YI) to turn over the shares in the 49 percent Transpetrol stake to YF. Economy Minister Lubomir Jahnotek and State Secretary Peter Ziga told us in separate conversations that they had had only limited contact with their Russian counterparts in the last six weeks and that they had not been informed in advance that Rebgun was planning to auction off YF. On the surface the auction would appear to undermine the deal that Prime Minister Fico reached with Putin in early May (Reftel) for the sale of Transpetrol. Prime Minister Fico told Ambassador 7/19 that he did not make a deal with Putin, and that Slovakia has significant legal protections going forward no matter who wins the auction. Both Fico and Ziga commented that the GOS had no intention of bidding in the auction, as it would be too risky given all of the legal complications across multiple jurisdictions. The GOS plans to protect its position at the July 31 annual Transpetrol General Assembly by sticking to a minimalist agenda and not allowing Rebgun to replace the Yukos representatives on the board. End Summary

MAY MOMENTUM FOR MOSCOW DEAL LOST TO JULY COURT DECISION

2.(C) After intensive GOS negotiations with Russian government and Gazpromneft representatives in May (Reftel A), Jahnotek told Ambassador Vallee in late June that he was frustrated with his Russian interlocutors for their lack of progress towards four party discussions in London on the sale of the 49 percent Transpetrol stake. Peter Ziga reiterated in a July 18 meeting with Ambassador that there had been almost no contact with any of the Russian parties for several weeks and that he did not have a solid understanding of where things currently stand. The Russians unwillingness to meet and YI's delay in completing the valuation of Transpetrol may have largely been influenced by a pending court decision in the Dutch courts related to possession of the Transpetrol shares.

[1](#)3. (U) On July 12 the Amsterdam Court of Appeal overturned a request by Rebgun for YI to turn over the Transpetrol share

certificates to YF. (Note: An August 2006 court decision determined that YF was the legal owner of Transpetrol, while YI maintained beneficial ownership, a distinction that is recognized in the Netherlands but not in the Slovak legal system. YI has brought a separate case questioning Rebgun's authority to exercise shareholder rights for YF. End Note.) The Appeals Court judge ruled that YI was not required to hand over the shares to YF at this time. The judge argued that given the pending legal cases in both the Dutch legal system and the European Court of Human Rights (which is a larger case involving Russian government actions against Yukos) there is no reason to transfer the shares at this time. YI views this as an important decision that shifts the legal scale back in their favor after a separate unfavorable (from YI's perspective) ruling in May, 2007 that had allowed YF to keep the Rebgun-appointed directors.

14. (C) Ziga received the July 12 decision from YI's Bratislava representative and Transpetrol Board Member Jan Kridla and understood that it was important to work with all parties until the legal cases were settled. Ziga stressed, however, that even if YI succeeded in regaining sole legal control over the shares, Russia's opinions on the pipeline were important since it is the sole supply source for oil, gas and nuclear fuel. This is a theme that Jahnatek has consistently raised during our meetings with him on energy issues.

REBGUN TO AUCTION OFF YUKOS FINANCE

15. (C) One day after losing the appeal for possession of the Transpetrol shares Rebgun announced that YF will be auctioned

BRATISLAVA 00000420 002 OF 003

off on August 15 in Moscow at a starting price of 7.5 billion Rubles (approx. USD 300 million). Interested parties can submit applications and deposits to participate beginning July 23 through August 13. In addition to the Transpetrol stake, which has been valued between USD 100 and 150 million, YF has rights to the residual from the USD 1.492 billion sale of the Lithuanian Mazeikiu Nafta oil refinery in 2006 after creditor claims. According to press reports, the two main creditors are Rosneft (USD 455 million in claims) and Group MENATEP (USD 655 million in claims), though there may be other outstanding claims on these assets. The challenge for any potential non-Russian bidder will be to accurately assess the value of YF and understand the associated risks relating to legal and political developments in multiple jurisdictions.

16. (C) Fico told the Ambassador in their July 20 meeting that he was not aware of the auction and did not think the GOS would participate in such a risky and complicated deal. This is consistent with Ziga's view that the GOS remains interested in the Transpetrol stake but did not want to get involved with the wider legal and financial issues surrounding the Yukos bankruptcy proceedings. Ambassador asked whether an auction would undermine the informal agreement that the Prime Minister had reached with Putin during their meeting in early May. Fico noted that he did not make a deal with Putin, as has been widely reported, and does not think that the auction will undermine Slovakia's position because he believes that the GOS has sufficient legal protection to influence any future sale of the Transpetrol stake. Fico noted, however, that he could not imagine a scenario whereby a Russian buyer would be forced by Putin to meet the four Slovak conditions, which include giving the GOS management control of the pipeline. President Gasparovic contradicted Fico in a July 18 meeting with the Ambassador stating that he expected Fico to "harvest" the deal that he had made with Putin in May.

17. (C) YI's Jan Kridla questioned whether Rebgun had the ability to auction off YF, which is registered in the Netherlands, in a Russian auction. He told Econoff that YI lawyers were looking at the possibility of contesting the

sale based on such territorial claims. Kridla opined that the timing of Rebgun's announcement one day after the unfavorable court ruling was not a coincidence, and that it was a recognition that the tide has shifted in favor of YI in the Dutch courts.

BUT FIRST A BOARD MEETING

18. (C) As required under the Shareholders Agreement Minister Jahnatek called for the holding of the annual Transpetrol General Assembly for July 31. Jahnatek put off this meeting for as long as possible (he had until the end of June to give his 30 day notice for the meeting) with the hope that the legal dispute between YF and YI over the right to represent Yukos' interests at the meeting would be clarified or resolved. At the last general assembly in November, Jahnatek was pressured by YF's representatives to change the Yukos Board representatives, which he did not agree to (Reftel B). Ziga told the Ambassador that, despite the previous difficulties, he did not expect any complications at the July 31 meeting, especially given the pending auction of YF in August. Ziga noted that the agenda contained only the required items, including a review of financial statements and replacement of the vacant board member (nominated by the GOS) and one supervisory board member (to be nominated by Yukos) whose five year term ended in April.

19. (C) YI's Kridla was more concerned than Ziga about the annual general assembly, and in particular by the potential precedent if YF were able to put forward their own nominee for the vacant supervisory board position. YI representatives are scheduled to meet with Jahnatek on July 30, his first day back in the office after three weeks of leave. In addition to once again making the case that YI directors should represent Yukos at the board meeting, YI will argue that the GOS should postpone any decision on filling the vacant supervisory board position. YI will also use the meeting to provide Jahnatek with their independent valuation of Transpetrol.

COMMENT

BRATISLAVA 00000420 003 OF 003

10. (C) Slovak government officials seemed resigned to the fact that they have little control over the future of the Transpetrol stake and can do little more than wait for external events to drive the issue. Although they remain reluctant to take any proactive steps that could be viewed negatively by Moscow, we expect that they will protect their rights in the July 31 general assembly, as they did at the last meeting in November 2006. With the announcement of the August 15th auction, all other potential offers for purchasing Transpetrol by both Gazprom and third parties are essentially off the table.

11. (C) The Moscow auction represents both risks and opportunities for the GOS. If a Russian controlled entity wins the auction, they could more aggressively push to change the Transpetrol board and not be bound, given changed circumstances, by Putin's commitment to giving the GOS management control and a possible Caspian oil option in the future. If a western-oriented bidder wins, or someone connected to group MENATEP, then a mutually agreeable deal between YI, YF, and the GOS is more probable, settling once and for all the never ending story and contributing to greater regional energy security. End comment.

VALLEE